

**City of Columbus**  
**Department of Development**  
**Housing Division**  
**Homeownership Development Program (HDP) Guidelines**

**Purpose:** The Homeownership Development Program (HDP) is designed to redevelop residential homes and residential properties either for sale as homeownership opportunities or for short term lease purchase (up to 36 months). The program provides development and affordability gap financing based on need but not to exceed a total of \$60,000.00 per unit in the form of a deferred forgivable loan. The City may consider larger gap financing amounts only if there are extraordinary circumstances and other financing sources cannot address the full gap. This provides an incentive for non-profit and for-profit developers and/or builders to rehabilitate or construct quality homes available for sale at an affordable price for income qualified homebuyers.

The City receives funds from the U. S. Department of Housing and Urban Development (HUD) to conduct activities that are in compliance with the HOME Investment Partnerships Program with regulations at 24 CFR Part 92.

**The general guidelines for the program are as follows:**

**I. Geographic Information**

Priority will be given to projects located in one of the City of Columbus' Neighborhood Investment Districts (NIDs) or Community Reinvestment Areas (CRAs); eligibility extends elsewhere in the city of Columbus. A non-profit developer serving as a Community Housing Development Organization (CHDO) for a project can develop anywhere within their established boundaries.

Additional information is available regarding NIDs and CRAs at <http://columbus.gov/housingdivision/residentialtaxincentives/>.

**II. Eligible Property**

Single-family residences (including double conversions into single family homes, condos and fee simple townhomes), which will serve as the principal residence of the prospective homeowner, are eligible. Rental properties are ineligible. Units must be decent safe and sanitary as determined by the City before they are sold.

Priority will be given to developers who take control of the site(s) from the Land Bank-<http://columbus.gov/landredevelopmentoffice/>. Applicant must submit an application to the Land Bank prior to applying for funding from the Housing Division to ensure site control.

**III. Property Value Limitations**

The selling price and the appraised value of all properties used in this program cannot exceed 95% of the U.S. median purchase price for new construction and existing housing limits for the area as defined by HUD. Subsidy provided cannot exceed maximum per unit subsidy limits established by HUD based on unit size.

**IV. Eligible Activities**

- A. Acquisition/Rehabilitation and soft costs.
- B. New Construction with acquisition and soft costs.

- C. Rehabilitation or New construction for the purpose of sale thru lease with the option to purchase.
- D. Affordability subsidy financing for homebuyer.
- E. Eligible Costs

Eligible costs include, but are not limited to, the following:

- a. Site acquisition
- b. Loan origination fees
- c. Credit reports
- d. Title reports and updates
- e. Recordation fees
- f. Preparation and filing legal documents
- g. Appraisal
- h. Attorney fees
- i. Loan processing fees
- j. Architectural fees
- k. Engineering fees
- l. Preparation of work write-ups/cost estimates
- m. Developer Fee not to exceed 5% of acquisition cost(s) and 15% other costs
  - i. Developer Fee will not be adjusted based on change orders or additional costs after agreement has been executed.
  - ii. If affordability subsidy exceeds the allowed amount (up to \$20,000 of the available \$60,000 in gap financing), the developer may elect to reduce its developer fee as described above dollar for dollar for the additional affordability subsidy provided.

Funds will be disbursed as a percentage of the construction costs. Receipts and documentation must be provided to verify costs. Lien Waivers may be required. **Construction must begin ninety (90) days from the date of agreement signing.**

## V. Eligible Applicants

Non-profit and for-profit developers are eligible to apply including Community Housing Development Organizations (CHDOs).

- The City will also evaluate a development organization's proven track record of completing, financing and selling its proposed product.

## VI. Eligible Home Buyers

- A. A homebuyer who is pre-approved for a mortgage must be presented at the time of application for funding. An estimated affordability need will be determined at that time.
- B. Households with incomes at or below (80%) of the Area Median Income (AMI) adjusted for household size as established by HUD. Total household income is used when calculating annual gross income.
- C. The applicant is unable to apply as the potential home buyer.
- D. **Qualifying ratios:** Total housing expense (PITI) should not exceed 35 percent of household income and total debt service must not exceed 45 percent of the total monthly household income. Buy downs must be for the full term of the loan and **fixed rate financing only**. The City may consider higher ratios if the homebuyer can demonstrate to the City's satisfaction that the total mortgage payment will be able to be met.

- E. **The buyer must have at least \$500.00 of their own saved funds exclusive of loans, credits or gift funds to contribute as equity.**
- F. **Mandatory 8 hours** of Homebuyer Education completed through a City of Columbus Certified Housing Counseling agency.

## **VII. Financing Guidelines**

Financing may be a combination of a Developer Gap and/or Affordability Gap. The City may consider larger gap financing amounts if the applicant can demonstrate financial need based on construction costs, appraisal values, and/or buyer affordability need. A minimum of \$1,000.00 in affordability gap subsidy is required as part of the project structure when there is a funding request for development subsidy. **Subsidy provided cannot exceed maximum per unit subsidy limits established by HUD based on unit size.** Either type of subsidy can be used in the sale or lease purchase of a home.

A **Developer Gap** is the difference between the development cost of the unit and the appraised value of the unit after construction or rehabilitation. The actual Developer Gap is determined at the point of sale.

An **Affordability Gap** is the difference between the sales price of the home and the homebuyer's lender approved amount for a permanent mortgage. A licensed appraiser must determine the amount of the sales price. Subsidy may also include down payment assistance and/or closing costs assistance.

### **A. Developer/Builder Forgivable Loans**

Maximum Developer Loan Limits: up to \$60,000 per unit may be loaned for the purpose of Development and Affordability subsidies. The City may consider larger gap financing amounts only if there are extraordinary circumstances and other financing sources cannot address the full gap and if the applicant can demonstrate financial need based on construction costs, appraisal values, and/or buyer affordability needs.

Term: Deferred 24 months. Extensions are available upon request and will be considered on a case by case basis. However, the home must be sold or placed into a lease purchase agreement within nine (9) months following project completion as defined by HUD or the property automatically converts to rental as defined by HUD. The required rental affordability period is fifteen (15) years for rehabilitated units and twenty (20) years for new construction pursuant to HUD law and regulations. The City reserves the right to require the Applicant to transfer the property to an organization with capacity to manage rental projects in that event.

Interest Rate: Five percent (5.0%) interest will accrue and compound annually if the unit is not sold or placed into a lease purchase agreement to a qualified buyer within nine (9) months following project completion as defined by HUD or the property automatically converts to rental. The required rental affordability period is fifteen (15) years for rehabilitated units and twenty (20) years for new construction pursuant to HUD law and regulations. The City reserves the right to require the Applicant to transfer the property to an organization with capacity to manage rental projects in that event.

**Repayment:** No repayment of the Development Gap principal or accrued interest will be required if the property is sold or placed into a lease purchase agreement to an income eligible buyer that meets qualifications outlined in paragraph VI within nine (9) months following project completion as defined by HUD or the property automatically converts to rental. The required affordability period is fifteen (15) years for rehabilitated units and twenty (20) years for new construction pursuant to HUD law and regulations. The City reserves the right to require the Applicant to transfer the property to an organization with capacity to manage rental projects in that event. If, based on a final underwrite HOME funds have not been used for development or affordability gap, they must be repaid.

Repayment of the Principal and accrued interest is required if the property is not sold or placed into a lease purchase agreement to an eligible buyer within nine (9) months following project completion as defined by HUD or the property automatically converts to rental. The required rental affordability period is fifteen (15) years for rehabilitated units and twenty (20) years for new construction pursuant to HUD law and regulations. The City reserves the right to require the Applicant to transfer the property to an organization with capacity to manage rental projects in that event. Principal and accrued interest will be due in full.

1. Income eligibility of homebuyer will be determined by City of Columbus, Department of Development Housing Division personnel. The City must verify the buyer income eligibility for all sales. The Developer will be required to repay all HOME funds in full with interest for any home sold without City approval of the buyer's eligibility.

B. Income Qualified Homebuyer Forgivable Loans

1. Maximum Homebuyer Affordability Gap Loan Limits: up to \$20,000 out of the available \$60,000 in gap financing. If affordability subsidy exceeds the allowed amount, the developer may elect to reduce its developer fee as described above dollar for dollar for the additional affordability subsidy provided.
2. The City will consider, on a case by case basis, waivers to increase affordability and the addition of other types of City funds including the American Dream Downpayment Initiative (ADDI) program.  
<http://columbus.gov/housingdivision/ADDI>
3. Term: 5 years for loans less than \$15,000; 10 years for loans \$15,000 to \$40,000; 15 years for loans of more than \$40,000.
4. Interest Rate: Zero percent (0)% per annum
5. **Repayment is not required if:**
  - a. The initial homeowner remains an owner-occupant of the property for the term of the loan (affordability period); and,
  - b. The initial homeowner executes at closing a non-amortizing, non-recourse, non-interest-bearing promissory note (Note), Loan Agreement, Mortgage and Restrictive Covenant (for affordability). The outstanding

Principal balance of the Note remains the same as the amount stated at the time of closing until the end of the affordability/loan period.

**Repayment is required if:**

- a. The initial homeowner, prior to the end of the affordability/loan period as defined by the Note, sells the property. The outstanding principal balance will be due in full at the time of sale; **or** the initial homeowner ceases to occupy the property as an owner occupant. The outstanding Principal balance will be due in full once the original homeowner/recipient of HOME assistance ceases to occupy the residence.
- b. If at the point of sale, as referenced in item (a) above, the net proceeds from the sale are not sufficient to repay the loan, the net proceeds will be divided proportionally based on the amount of HOME investment and the homeowner investment.

**VIII. Underwriting and Subsidy Layering Guidelines**

HUD requires written subsidy layering and underwriting guidelines to ensure that the level of HOME investment does not exceed the amount that is necessary to provide quality affordable housing that is financially viable. The following guidelines will be used in evaluating projects. Underwriting must be updated at the initial construction start, at the time of change orders or other project changes and at final draw (a final budget needs to be submitted with final invoice).

**A. Sources and Uses**

- a. The HDP application includes a uses and sources document that is required to be submitted in addition to firm commitment letters listing terms and conditions.
- b. If an application is submitted by more than one owner, the agreement between the owners regarding responsibilities and compensation must be submitted.
- c. The City will evaluate if total funding sources are adequate and timely in their availability to cover development costs at all phases of the development, if the funds are compatible with HOME and if funds are firmly committed.
- d. All development costs, including costs not being paid by HOME funds, must be necessary and reasonable.
  - i. Documentation of all costs needs to be submitted at time of application including but not limited to acquisition costs, construction cost estimates, bids, contracts or quotes for professional and soft costs, third party appraisal and other development costs.
- e. Costs that are intended to be paid by HOME must be HOME eligible.
- f. The profits and returns to Developer after sale will be reviewed to ensure excessive gains/profits are not received as a result of HOME and other subsidies.

**B. Market Demand**

- a. A sales plan must be submitted with application identifying the Developer's reasonable timelines to develop and sell the homes. Typically, a Developer's application should include an identified pre-approved buyer.

- b. A market assessment must be submitted with application identifying the general demographic, economic housing conditions, comparable opportunities, demand and capture rate, income and estimated absorption period in the identified market area.
- c. A third party market study is not required.

**C. Developer Experience and Capacity**

- a. Experience of staff assigned to the project, including past and present experience, will be evaluated to ensure the Developer is able to complete the project based on the size, scope and complexity of the project.
- b. The use of a realty professional or staff's ability to market and sell units will be reviewed.
- c. An project requesting funding from the CHDO set aside must meet the CHDO requirements.
- d. The applicant must disclose all roles being handled in the project and if the applicant or any related party is taking on other roles in the project.

**D. Financial Capacity**

- a. Developer must submit documentation identifying that adequate financial management systems and practices are in place and sufficient financial resources are available to carry the project to completion.

**IX. Restrictive Covenant**

All eligible homebuyers are to be informed that a Restrictive Covenant, Mortgage, Loan Agreement, and Promissory Note will be placed on the home at the time of purchase. The Restrictive Covenant is an agreement between the homeowner and City of Columbus that states that the homeowner will use the home as their primary residence for the full term of the affordability period. If the homeowner sells the house during the affordability period all funds used as affordability dollars will be subject to recapture based on the shared “**Net Sales Proceeds**” formula as defined by HUD (see section VII 5 above).

**X. Additional Obligations for Funds**

- A. **Funding Review Committee:** All projects will be reviewed by the Funding Review Committee (FRC). This committee is made up of City staff and will make recommendations on all projects requesting City funding. The FRC will make a final recommendation as to whether or not to give final approval for the project to proceed and the City to enter into a Development Agreement with said developer. If after initial review, it is the determination of the City of Columbus that the project is not viable, the developer will be notified in writing.
- B. **Relocation Review:** Applicant must obtain a Notice of Acquisition, Seller/Owner's acknowledgement of Fair Market Value, and the Seller/Owner's Certification of No Displacement prior to closing.
- C. **Historic Review:** Clearance from the City of Columbus Historic Review Officer. The redevelopment must comply with Section 106 standards set by the Secretary of the Interior. All requests for review will be submitted to the Housing Division as part of the application.

- D. **Environmental Review:** Provide Phase I Environmental Site Assessment when applicable. The project must receive Environmental Review clearance as defined by the National Environmental Policy Act that includes a Historic Preservation Review. All requests for review will be submitted to the Housing Division as part of the application.
- E. **Homebuyer Education** must be provided through a City of Columbus Certified Housing Counseling agency, which includes:
1. Face to face Counseling before the purchase of the property;
  2. 8 hour class;
  3. Assisting buyers in identifying the most suitable and affordable properties;
  4. Providing homebuyers with financial management assistance;
  5. Assisting homebuyers in understanding mortgage transactions and home sales contracts;
  6. Assisting homebuyers with eliminating any credit problems that may prevent them from purchasing the property; and
  7. Home maintenance training.
- A certificate of completion of the homebuyer education program must be submitted to the City prior to approval and expires one year from the date course was completed.*
- F. **Lead-based Paint Hazards**  
Work on properties for rehabilitation that were built before 1978 must comply with Title X rules and regulations, as well as applicable state lead paint law. The cost and scope of rehabilitation work determines what inspections and interventions will be required.
- G. Applicants must present their design plans to the area commission or civic association serving the neighborhood where the home(s) are located. Please notify the City when you are scheduled to present and provide documentation from the area commission or civic association.
- H. Specifications and plans must meet the Accessible Water Conservation Air Quality Resource Conscious Energy Efficient (AWARE) manual and be approved by City of Columbus Housing Division staff. Waivers are considered. <http://columbus.gov/housingdivision/housingoverview/>
- I. Developer will provide a third party cost estimate at the time of application submission to ensure the chosen contractor's bid is within 15%.
- J. A market assessment is required to be submitted at the time of application submission; a purchase contract is able to be submitted in lieu of the market assessment.
- K. The Developer will use its best efforts to afford minority and female owned business enterprises the maximum practicable opportunity to participate in the performance of the submitted project. As used in these guidelines, the

term "minority and female owned business enterprise" means a business at least fifty-one percent owned and controlled by "minority group members" who are Women, African-Americans, Spanish-speaking, Spanish surnamed or Spanish-heritage Americans, Asian-Americans or American Indians. Developer may rely on written representations regarding their status as minority and female subcontractors in lieu of an independent investigation.

## **XI. Process**

- A. Applicant will complete a program application that describes the requested scope of work and provides complete information on the current operations, occupancy and financial information on the project. Refer to the Funding Application Instruction Sheet for the HDP program for additional information related to the application process.
- B. Applications will be reviewed and open issues clarified. A housing rehabilitation technician will conduct a site visit to review the proposed scope of work for rehabilitation projects.
- C. The scope of work will be reviewed with the Applicant. City staff and the Applicant will agree on the scope of work.
- D. Funding request is submitted to the Funding Review Committee to review and recommend approval or denial.
- E. A commitment letter, loan agreement, promissory note and mortgage will be executed by the City and the Applicant. The Contractor will pull permits and begin work after a pre-construction conference is held.
- F. Contractor invoices must be approved by the Applicant and the Housing Division staff. Progress payment schedule will be established as part of the agreement and payment will be made directly to the Applicant. Invoices must be submitted at least every sixty (60) days following agreement execution.
- G. Upon completion, the City will sign off that it is satisfied with the work as a condition to final payment.
- H. The Applicant will sell or lease the unit within nine (9) months following project completion as defined by HUD to an income qualified homebuyer or approved lease purchase candidate. The income of the buyer must be approved by Development Department Housing Division staff. If a unit is not sold or placed into a lease purchase agreement to an eligible buyer within nine (9) months following project completion as defined by HUD the unit automatically converts to rental. The required affordability period is fifteen (15) years for rehabilitated units and twenty (20) years for new construction pursuant to HUD law and regulations. The City reserves the right to require the Applicant to transfer the property to an organization with capacity to manage rental projects in that event.

**THESE GUIDELINES OUTLINE THE BASIC FUNDING REQUIREMENTS FOR THIS PROGRAM AND ARE NOT MEANT TO BE ALL-INCLUSIVE**

**The City of Columbus is an Equal Opportunity Lender**

Please contact Randi Arnett at (614) 645-7277 or [RLArnett@Columbus.gov](mailto:RLArnett@Columbus.gov) for more information.

Visit the Housing Division website for more information: <http://columbus.gov/housingdivision/hdp/>

**The funds for this program are limited.  
As such, they will be available on a first-come, first served basis  
based on submission of eligible projects.**